



Foreign Agricultural Service

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Mexico

FAIRS Product Specific

Mexico enforces the "Cash Deposit System"

2000

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Report Highlights:

Mexico implemented the "Cash Deposit System" related to the estimated import price, effective October 1, 2000. This affects rice, apples, and plywood, plus a variety of industrial products.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Mexico [MX1], MX

On September 14, 2000, Mexico's Secretariat of Treasury (SHCP) announced in the *Diario Oficial* (Mexico's Federal Register) the implementation of a Customs Cash Account system, that went into effective on October 1, 2000 (see MX9117; MX9139; MX013 & MX0138). This system will require importers to deposit in a bank account 100 percent of duties assessed on the difference between the actual invoice value (including transportation costs and broker's fees) and the value of the shipment based on a predetermined "estimated" price (reference price). Wine, beer, pasta, wood products, rice and apples are a few products affected by the estimated price scheme and consequently the Customs Cash Account system. Private sources stated that importers' costs will increase as a result of the regulation.

The Cash Account System replaces the previous system where importers posted a bond to guarantee the difference in duties and taxes if the declared value of an imported good was less than the Government of Mexico's official reference price.

According to SHCP's officials the designated Mexican financial institution to accept cash deposits are: Banamex, Bancomer and Bital. There are three methods for making the deposits 1.) a cash deposit; 2.) a line of credit or 3.) a Trust account. According to a Bancomer source, the trust account is the only one authorized by government authorities for the products mentioned. Importers can open the account directly or have a legal representative do it.

The Bank fees associated with the Customs Cash Account system were denominated in "Unidades de Inversion" (UDI) which is an accounting unit linked to the peso and inflation rate. The value of the UDI is reported daily by the Banco de Mexico. On October 13, for example, the UDI's value was approximately 2.86 pesos. The fee to open a cash account will depend on the value of the first shipment at the time the account is opened. This is a one time fee.

Following are the Bank fees:

1) The fees to establish a bank account are:

DEPOSIT	FEES	DOLLARS ** EQUIVALENT
Smaller than 50,000 pesos	The equivalent to 500 UDIS * +VAT	\$150.00+ VAT
More than 50,000 pesos but less than 250,000 pesos	The equivalent to 3,000 UDIS* + VAT	\$900.00 + VAT
Bigger to 250,000 pesos	The equivalent to 5,000 UDIS* + VAT	\$1,500.00 + VAT

* "Unidades de Inversion". On October 13, 2000, 1 UDI = 2.852620 Pesos

** Rate of Exchange: 9.50 Pesos to 1.00 USD.

VAT = 10% if imported into the border regions; and 15% if imported into the rest of Mexico.

Source: BANCOMER

- 2) The fee for subsequent and every transaction is 50 UDI's (roughly U.S.\$15.00 + VAT).
- 3) A commission will be assessed on the amount of the deposit at the time the deposit is refunded, whether it is returned to the importer or turned over to Customs. The commission is 2 percent of the deposit value, but not lower than a minimum 1,500 pesos (U.S.\$158.00) and not more than a maximum 20,000 pesos (U.S.\$2,100).

Background of the Reference Pricing

SHCP's sources indicated that in 1994, this Secretariat created the concept of "estimated prices" which was intended mainly for goods that were being imported at a price below their normal market prices -- underinvoicing. These prices, as implied by their name, are "estimated" prices. SHCP, using price lists, data from Mexican producers, as well as some other information, derives an "estimated" price for the selected products. The estimated price is neither the official price nor a minimum tax base but just an estimation of the products' value in the neighborhood of the real price, i.e., the customs value of the products.

Accordingly, and since the inception of this concept, the SHCP has published in several official gazettes estimated prices for: edible pasta; wines and liquors; textiles; footwear; Apparel; electronic home appliances; tooling; toys; bicycles; wood panel products; chinaware; some types of steel, and apples and rice.